



COMPTROLLER OF THE CITY OF NEW YORK  
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WILLIAM C. THOMPSON, JR.  
COMPTROLLER

May 25, 2005

Mr. Roland A. Hernandez  
Chair, Audit Committee of the Board of Directors  
c/o J. Michael Bradshaw  
Liaison to the Board of Directors  
Wal-Mart Stores, Inc.  
702 Southwest 8<sup>th</sup> Street  
Bentonville, Arkansas 72716-0215

Dear Mr. Hernandez:

We are fiduciaries of the New York City pension funds, Illinois State Board of Investment, Universities Superannuation Scheme (USS) Ltd, and F&C Asset Management, which hold, in the aggregate, 11, 455, 206 shares of Wal-Mart common stock, with a market value of \$ 545, 840, 565.90. We are writing to voice our serious concerns about reports of legal and regulatory non-compliance at Wal-Mart. As shareholders, we are deeply concerned about potential contingent liabilities and negative effects on the company's stock price and reputation. Accordingly, we urge the Audit Committee of the Board of Directors to establish a special committee of independent directors to conduct a comprehensive review of the company's legal and regulatory controls, as well as its internal systems to ensure compliance with Wal-Mart's own policies and standards, and to issue a report on the findings and recommendations to the shareholders by December 2005.

Under Delaware law, corporate directors have a fiduciary duty of care to ensure that public companies have adequate legal and regulatory compliance structures and policies in place. In addition, under Section 404 of Sarbanes Oxley Act, companies are required to disclose legal and regulatory controls in their financial statements. While the Audit Committee has disclosed that Wal-Mart has adequate internal controls over financial reporting, recent reports of legal and regulatory non-compliance raise serious concerns about the adequacy of the company's controls.

The frequency of the reports suggests that non-compliance with internal standards, as well as with laws and regulations, may be far too commonplace at Wal-Mart. In 2003, U.S.

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Immigration and Customs Enforcement raided 60 Wal-Mart stores as part of an investigation that resulted in this year's \$11 million settlement of charges that Wal-Mart exploited undocumented immigrants. Earlier this year, Wal-Mart settled with the Department of Labor 24 violations of child labor laws in three states. In 2004, a federal court certified a national class action sex discrimination lawsuit on behalf of over 1.5 million current and former female employees. Last, the reported circumstances surrounding the resignation of Wal-Mart Vice Chairman Thomas Coughlin have bolstered public perception of a culture of non-compliance and disregard for ethical standards within the ranks of Wal-Mart's management. Wal-Mart claims that Mr. Coughlin abused his expense account up to \$500,000 in questionable transactions over a five-year period. Mr. Coughlin explains that he filed false invoices to obtain reimbursements for anti-union activities, possibly including the payment of bribes. Further, the firing of the vice-president who reported Mr. Coughlin's questionable transactions raises additional concerns, including the past and future effectiveness of the company's whistle blowing programs and Wal-Mart's ability to enforce its Statement of Ethics and Code of Ethics.

Compliance breakdowns not only create contingent legal liabilities, but they also harm Wal-Mart's corporate image. As leading analysts, such as Gary Balter of UBS and Gregory Melich of Morgan Stanley, have observed, these headline risks are a significant concern to shareholders, as well as damaging to employee morale. Corporate responsibility is a valuable asset to shareholders, and Wal-Mart's negative corporate reputation has interfered with our company's growth. For example, Wal-Mart's reputation has impeded its ability to open new stores in various local communities, including New York City and Inglewood, California.

Strong internal controls are not only essential to ensure accurate financial reporting, they are also critical to ensuring full legal and regulatory compliance. In addition, effective internal controls provide independent directors with an invaluable tool in fulfilling their obligation to exercise independent oversight of management. Robust company policies, combined with effective legal and regulatory compliance are necessary predicates to any company's ability to protect and create long-term value for its shareholders. But the risks associated with a compliance breakdown are especially onerous for Wal-Mart and its shareholders in light of the company's large size and market capitalization.

For these reasons, we urge the Audit Committee to appoint a special committee of independent directors to conduct a thorough review of the company's controls, and that such committee is authorized to retain outside counsel to examine all instances of non-compliance. This action is necessary to ensure the company is effectively positioned to comply with its own policies and systems, as well as with all applicable laws and regulations.

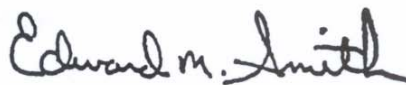
We look forward to your reply.

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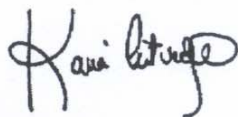
Very truly yours,



William C. Thompson, Jr.



Edward M. Smith  
Chairman,  
Illinois State Board of Investment



Karina Litvack  
Director, Head of Governance & Socially Responsible Investment  
F&C Asset Management plc



Jason Fletcher  
Americas Equities Manager  
Universities Superannuation Scheme Ltd

cc: José H. Villarreal, Presiding Director